

**"Celebrating 30 Years of Small Business Success"**



**September 2, 2014**

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### **Small Business Owners Need to Prepare for These 5 Tax Changes**

by Nicole Fallon, on *businessnewsdaily.com*, 8/26/14 - There are many new and pending changes for the upcoming tax season, and some of them will be particularly important for small businesses. Based on conversations with tax experts, here are a few upcoming issues you may want to speak with your financial adviser about as you look toward year-end tax planning.

**The Affordable Care Act:** The ACA should be at the forefront of a business's tax planning agenda, especially if the business is over or close to the 50-employee threshold, said Timothy Todd, CPA and assistant professor of law at Liberty University School of Law. With the administration beginning to enforce the mandate in 2015, now is the time to plan, Todd said. For some employers, the mandate has been pushed out to 2016, so discuss this with your tax adviser if you're unsure how you'll be affected.

**Corporate tax rates:** Mike Trabold, director of compliance risk at payroll processing company Paychex, noted that one key issue in upcoming tax-reform proposals is corporate tax rates. Companies that are structured as corporations currently pay a higher tax rate than LLCs, partnerships and other tax-efficient business structures. Trabold said that if tax rates are lowered for corporations, small businesses that are structured a different way wouldn't get the same tax advantages unless there were a parallel amendment to personal tax rates.

**Deduction eliminations and limit reductions:** Small business owners will find that some tax credits they once depended on have expired or have been greatly reduced, said John Hewitt, CEO of Liberty Tax Service. Section 179 allows business owners to deduct the entire cost of certain assets, such as equipment and furniture, in the year of purchase rather than over a longer period of time. In the 2013 tax year, the deduction limit was \$500,000, but this year, it has dropped significantly to \$25,000. Bonus depreciation, whereby businesses

could claim a 50-percent deduction for qualified property they placed into service in the tax year, ended in 2013. The work opportunity tax credit, which had given employers a credit of up to \$9,600 for hiring veterans and other workers in specific categories, is also gone, as is the energy tax incentive that helped employers go green by giving deductions for eco-friendly business features such as lighting.

**Net investment income tax:** The 3.8 percent tax on net investment income became effective in 2013, but it may surprise you if you are being affected for the first time in 2014. Todd explained that the tax applies to high-income individuals with investment income. Common scenarios where this new tax may be implicated is if you have rental income, a stock portfolio or other "passive" income.

**Tax extenders:** The proposed "tax extenders" bill is an effort to renew \$85 billion in temporary tax breaks for individuals and businesses. Although Reuters reported that the bill is stalled in the Senate until after the congressional elections in November, any decisions that follow may affect the 2015 tax season, Trabold said. Whether your business has been taking advantage of any of the 50 tax breaks included in the bill or not, it's important to be prepared either way.

So what can you do now to make things easier when tax preparation season rolls around in a few months? The first thing you'll want to do is to make sure your records are up-to-date and that your financial documents are organized and easily accessible for tax season, especially for any potential deductions. "Save everything," Todd said. "A lot of deductions require extra substantiation, such as meals, entertainment expenses and use of a personal vehicle. There's been a spate of tax court cases lately that has disallowed business deductions due to lack of record keeping. If your business is audited, this is low-hanging fruit for the IRS to disallow."

Another smart tax-prep move is to take advantage of technology that will make organization and record-keeping easier for your small business. Jonathan Barsade, CEO of sales tax solutions provider Exactor, advised seeking a tax solution that is comprehensive, low-maintenance and easy to use. "Modern technologies can automate the entire [tax] process for the small business owner, from the point of calculating the taxes at the time of the transaction, through the final generating and filing of the tax returns," Barsade told Business News Daily. "There is no reason why a small business owner should spend any more than an hour each month on all of their tax compliance needs. The earlier the business owner proceeds towards automation, the less time they will need to work in tax season, which means more time remaining to focus on your business."

Most importantly, keep these and other tax issues on your radar by following financial news and checking in regularly with your accountant or tax adviser. "Tax code changes regularly, and this year is no exception," Hewitt said. "A tax adviser will help ensure that your [documents] are organized and that your business is taking advantage of any tax savings that may be available. Depending on your situation, you may want to purchase new equipment, defer income or even hire personnel before the end of the year for tax savings purposes. A tax adviser can look at the business and help answer those questions." "Things can change very quickly," Trabold added. "[Certain tax reforms] could be a real benefit to a small business, and you wouldn't want to lose an opportunity because you didn't move on it quickly enough. Keep an eye on the changing winds, and be ready to act if necessary."

## **Startup Weekend Medical - Peoria**

**What:** Startup Weekend Medical

**When:** September 26-28, 2014

**Where:** Jump Trading Simulation & Education Center (Peoria, IL)

**Price:** \$80 (includes all meals, supplies & t-shirt)

**Sponsors:** Startup Peoria, UnityPoint Health – Peoria, Jump Trading Simulation & Education Center

Please click on the link below for additional details for the event.

<http://www.up.co/communities/usa/peoria/startup-weekend/3815>

### **Illinois Innovation Index**

Please click on the link below for the latest Illinois Innovation Index. The latest issue, [Exports growing in Illinois' high-tech sectors](#) examines how the volume of goods and services exports is an important indicator of connectivity with global markets and, more broadly, national and local economic health. Last August, the [Index](#) highlighted how goods exports in Illinois outpaced average national growth from 2002 to 2012. This issue of the *Index* focuses on state-level export data from 2009 to 2013 to understand how Illinois has performed post-recession.

From 2009 to 2013, goods exports in Illinois have increased 58.8 percent, outpacing the national average of 49.6 percent over the same period. As well, eight of Illinois' high-tech industries saw goods exports grow at a compound annual growth rate (CAGR) exceeding the U.S. average. To read more please [CLICK HERE](#).

### **Program Success of the Week – Cesario Builders**

Cesario Builders has been constructing luxury homes in the north and west suburbs of Chicago since 1975. Looking to take advantage of the current improvement in custom built homes, owner Tony Cesario began seeing Martha Carney at the Illinois Small Business Development Center at the College of DuPage (COD) in spring 2014. Mr. Cesario used COD SBDC services to prepare a more focused business plan and to more clearly define his business model for today's building environment.

Martha's assistance helped Mr. Cesario secure a line of credit and bank loan to support expansion of the company. These funds helped Cesario Builders create 3 new jobs and support the construction of at least 5 new luxury homes.

Mr. Cesario often says, "I trust you," to Martha, the ultimate compliment one can give and an example of the importance of an SBDC advisor to a client.

Cesario is a Certified Green Builder and has won several design and construction awards. They are also a member of the National Home Builders Association. One happy customer said Cesario offered "unmatched customer services." To learn more please visit: <http://cesariobuilders.com>

### **Resource of the Week – Inventory Control Software Comparisons**

Open the link below to see inventory control software reviews and quotes.

<http://inventory-software-review.toptenreviews.com/>

### **Neoserra Update – Electronic Impact Survey & Change in Staff Milestones**

**The next Economic Impact survey will be sent in December.** Please continue to collect economic impact data as needed. Remember that each individual Change in Staff (job created or job retained) must include, at a minimum, the JOB TYPE and JOB TITLE when you create the new milestone.

#### **Change in Staff Milestones**

Remember manually entering a Change in Export Related Staff, Change in Full-Time Staff, Change in Part-Time Staff or Jobs Retained milestone you **MUST** complete the **JOB TYPE & JOB TITLE** fields in Neoserra. We are currently updating the paper impact form to be consistent with the electronic survey and manual Neoserra entry.

### **Moves and News - Chicago Open Innovation Challenge**

**Chicago Open Innovation Challenge** - The American Heart Association's Chicago Open Innovation Challenge, a competition for startup companies with technology related to preventing or managing heart disease, is open to early-stage companies with a presence in Illinois, Indiana, Iowa, Michigan, Missouri, or Wisconsin, and the top three finalists will present on stage at the Heart Innovation Forum in Chicago on November 14, 2014 to compete for funding totaling **\$25,000**. Applications are due **September 12**. Additional information and online application are available at [www.heartinnovationforum.medstartr.com](http://www.heartinnovationforum.medstartr.com).

To give you some background on this event, now in its second year, the American Heart Association currently has more than \$14 million invested in research at Chicago-area academic institutions (and about \$56M in the Midwest) and is looking at ways to accelerate science from the lab to the patient. Our intent is to engage in a dynamic dialogue around this topic with thought-leaders in life sciences, pharmaceutical care, health policy, academic research, venture capital, and industry service providers at the Innovation Forum. The 2014 speakers and agenda are available online at [www.heartinnovationforum.org](http://www.heartinnovationforum.org).

If you have any questions, please feel free to contact me at [312-476-6672](tel:312-476-6672) or [Allison.Sundberg@heart.org](mailto:Allison.Sundberg@heart.org). **Feel free to pass on to any potentially eligible or interested parties.**

### **America's SBDC Network Connect**

Please [CLICK HERE](#) to see the August 28, 2014 edition of [America's SBDC Network Connect newsletter](#).

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The **WEEKLY CONNECTION** is distributed by the Illinois SBDC and DCEO Office of Entrepreneurship, Innovation & Technology each Monday to members of the DCEO Illinois SBDC Network to provide the service delivery partners with regular updates on small business issues, opportunities and resources. You may send any information to share with the Illinois SBDC Network to [Tom.Becker@illinois.gov](mailto:Tom.Becker@illinois.gov). Please feel free to forward this update to other interested resource providers and key stakeholders.

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